



Nebraska Farm Service Agency

Producer News

January 2005

HWWIP Continues

Sign up for the 2005 Hard White Wheat Incentive Program is underway and runs through May 31, 2005. The HWWIP provides an incentive for producers to grow hard white wheat of both spring and winter varieties from the 2003 through 2005 crop years. The program provides two payments to producers: an incentive payment of \$0.20 for each bushel of eligible hard white wheat produced, with a maximum of 60 bushels per acre eligible for payment, and a payment of \$2.00 per acre for each acre planted to certified seed that is marketed by May 31, 2005.

Producers are eligible to receive both the production incentive and certified seed incentive, if all applicable eligibility requirements are met.

The purpose of the program is to encourage producers to plant more hard white wheat in order to increase production for domestic and export markets. Target markets are predominantly in Southeast Asia, where hard white wheat varieties are used to produce noodles.

Wool, Mohair Loans

The final loan availability date to request a marketing assistance loan or loan deficiency payments for wool, mohair and unshorn pelts is Jan. 31 of the year following the year in which the commodity was sheared or the unshorn lamb was slaughtered. In simple language, that means you have until Jan. 31, 2005, to request loans or LDPs for 2004-crop wool and mohair that has not been marketed and remain in storage.

Eligibility. To be eligible for a loan or LDP, a producer must:

- Meet the definition of an eligible producer;
- Comply with conservation provisions for highly erodible land and wetlands;
- Produce and shear eligible wool and mohair or produce an unshorn pelt from a slaughtered lamb for unshorn pelts;
- Have beneficial interest in the commodity;
- Own the sheep and goats that produce the wool and mohair for a period of not less than 30 calendar days before shearing, or in the case of unshorn lambs, 30 days

prior to slaughter of the lamb;

- For unshorn pelts only, sell the unshorn lamb for immediate slaughter or slaughter the unshorn lamb for personal use.

To be eligible for a nonrecourse loan or LDP, the wool and mohair must:

- Have been produced and sheared by the eligible producer;
- Be in existence and in storable condition;
- Be of merchantable quality suitable for loan; and
- Be produced and shorn from live animals of domestic origin in the United States.

To be eligible for an unshorn pelt LDP, the unshorn pelt must:

- Have been produced by an eligible producer; and
- Be produced from a live unshorn lamb of domestic origin in the United States at the time beneficial interest was lost.
- Be sold for immediate slaughter or slaughter the lamb for personal use.

Maintaining Beneficial Interest

Marketing assistance loans and loan deficiency payments can mean the difference between a good year and a not-so-good year. With that in mind, it's important to comply with the rules, especially the rule regarding beneficial interest.

To be eligible for loans and LDPs, you must have beneficial interest in the commodity on the date the loan or LDP is requested and, in the case of a loan, you must retain beneficial interest while the loan is outstanding.

Beneficial interest means retaining control and the ability to make all daily decisions about storing the commodity; responsibility for loss or damage to the commodity; retaining an insurable interest and title to the commodity. Once beneficial interest in a commodity is lost, the commodity is ineligible for loan or LDP — even if you regain beneficial interest. Producers who deliver grain from the field directly to a feedlot, feed mill, dairy or wool pool must complete a CCC-709 before delivery to be eligible for a LDP.

You do not have to participate in the Direct and Counter-Cyclical Program to be eligible for loans or LDPs.

Violating provisions of the loan and LDP program may trigger administrative actions, such as assessing liquidated damages, calling the loan and denial of future farm-stored loans and LDPs.

eLDP Service Available

Producers who are connected to the Internet can now stay home and apply for an Electronic Loan Deficiency Payment, or eLDP, for stored grain 24 hours a day, seven days a week. The producers will receive approval and payment by direct deposit within 48 hours.

To participate in the new service, you must meet all eligibility requirements for marketing assistance loans and LDPs for the commodity. You must also establish a customer profile at your county office.

You must have an active USDA eAuthentication Level 2 account, which requires filling out an online registration form at www.eauth.egov.usda.gov/ followed by a visit to your county office for identity verification.

To create your customer profile, you can go to www.sc.egov.usda.gov and complete form CCC-634-E, "Request for Electronic Loan Deficiency Payment Services." Print the form and take it to your county office to complete the process. The form can also be obtained at the county office.

You must have an e-mail address, direct deposit and set up a customer profile through the county Farm Service Agency

office. The voluntary eLDP service has stringent security measures to protect your private information.

Final Loan Availability Date

Producers, remember you may obtain loans or receive loan deficiency payments on all or part of your eligible production anytime during the loan availability period. The loan availability period runs from when the commodity is normally harvested (or sheared for wool and mohair) until specified dates in the following calendar year.

For small grains, the final loan/LDP availability date is March 31, 2005.

Ewe Lamb Replacement, Retention Program

Sign up for the Ewe Lamb Replacement and Retention Program is underway. An ending date has not yet been announced, but why wait? Applications must be filed at the county FSA office where the sheep operation headquarters is located. Payments of up to \$18 will be made for each eligible ewe lamb. If national application payments exceed the \$18 million allocated for the program, payments will be factored from the \$18 per eligible ewe lamb.

Eligible ewe lambs are lambs that meet all of the following criteria: purchased or retained for breeding stock between Aug. 1, 2003, and July 31, 2004; be retained for one complete offspring lambing cycle; not have been older than 18 months as of Aug. 1, 2003; not have produced an offspring prior to Aug. 1, 2003, or prior to purchase if purchased later; not have re-

ceived payment for the ewe lambs under the Lamb Meat Adjustment Assistance Program; comply with all Animal and Plant Health Inspection Service scrapie provisions in 9 CFR Parts 54 and 79; not contain the characteristics of parrot mouth, foot rot or scrapie

Sheep and lamb operations that request payment under the program will be subject to spot check. The following records must be maintained for three years after date of payment: date of lamb birth or purchase; number of ewe lambs purchased, if applicable; date of lamb death, if applicable; date of lambing, if applicable; date of sale, if lamb has been sold; identification with APHIS approved scrapie program

Payment Calculations

The Direct and Counter-cyclical Program provides payments to eligible producers on farms enrolled during the crop years 2002 through 2007. There are two types of payments under the program: direct payments and counter-cyclical payments. Both are calculated using the base acres and payment yields established for the farm.

For each covered commodity, the direct payment for each crop year equals 85 percent of the farm's base acreage times the farm's direct payment yield times the direct payment rate.

Counter-cyclical payments for covered commodities are only issued if the effective prices for the commodity is below the target price (established in the 2002 Farm Bill) for the commodity. The counter-cyclical payment rate is the amount by which the target price of a commodity exceeds its effective price. The effective price for a commodity equals the direct payment rate plus the national average market price received by producers during the marketing year or the national loan rate for the commodity, whichever is higher.

Planting Flexibility

Producers who participate in the Direct and Counter-cyclical Program may plant cropland in excess of the total base acre-

Nebraska Farm Service Agency

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age on the farm to any commodity. They are, however, subject to certain restrictions on planting wild rice, fruits and vegetables (WR/FAVs) on base acres. (See the "Planting Restrictions" elsewhere in this issue.)

Producers with a given covered commodity crop base do not have to plant that base in order to receive the direct payments or counter-cyclical payments (if earned).

Planting Restrictions

Participants in the Direct and Counter-cyclical Program are subject to some restrictions on planting wild rice, fruits (including nuts) and vegetables (other than lentils, mung beans and dry peas) — WR/FAV for short.

Planting perennial WR/FAVs on DCP base acres is a violation of the regulations (and will result in reduced payment acres), even if the WR/FAVs are destroyed without benefit before harvest.

In general, planting non-perennial WR/FAVs on DCP base acres is not a violation (and will not result in reduced payment acres) *if* the WR/FAVs are destroyed without benefit before harvest. FSA must verify the WR/FAV destruction through a farm visit paid for by the producer.

There are two exceptions applicable to Nebraska producers if WR/FAVs are planted on DCP base acres:

- The first exception is **farm history**, which applies to WR/FAVs planted on a farm with an established history of planting WR/FAVs.
- The second exception is **producer history**, which applies to a producer with an interest in planting a specific WR/FAV and has an established history of planting that WR/FAV.

These two exceptions will prevent a contract violation; however, an acre-for-acre reduction will apply to the farm.

Information on WR/FAV restrictions is contained in the FSA fact sheet, "Direct and Counter-cyclical Payment Program: Wild Rice, Fruit, and Vegetable Provisions." This fact sheet is available at

county offices and on FSA's Web site at www.fsa.usda.gov/pas/publications/facts/html/fav03.htm.

DCP & Farm Reconstitutions

A farm resulting from a reconstitution may be enrolled in the Direct and Counter-cyclical Program if all signatures on CCC-509 are obtained by the later of June 1 or 30 calendar days following producer notification of the reconstitution.

Farms resulting from a reconstitution are not deemed to have a DCP contract, even if the parent farm had been enrolled during the prescribed annual sign-up period. A resulting farm that is not signed up during this period is not eligible for DCP benefits unless the farm is enrolled before Sept. 30, and a late filed sign-up fee of \$100 is paid.

All producers, including owners and operators, sharing in the contract payments on the farm must sign CCC-509 before the county committee can approve it for payment.

DCP Contract Signatures

All producers, including owners and operators, sharing in Direct and Counter-cyclical Program contract payments on a farm must sign the CCC-509. If a succession in interest takes place, all successors and any other producers must sign a revised CCC-509 no later than Sept. 30 of the current fiscal year.

The final date for participants to provide all necessary signatures on CCC-509, is June 1 of the fiscal year to be eligible for payments for that fiscal year.

CCC-509s on which all required signatures are not obtained by the established deadline of June 1 are not considered timely filed. CCC-509s for which missing signatures are obtained after June 1, but before Sept. 30, will be considered late-filed. These late-filed CCC-509s will be eligible for payment but will be assessed a late-filed fee.

A late-filed signup fee of \$100 per farm will be assessed for any farm enrolled between June 2 and Sept. 30, of the fiscal

year in which the direct and counter-cyclical payments are requested.

Supporting documentation, including AD-1026, CCC-502, CCC-526, and any other document necessary for the producer to be eligible for payment, must be received before payments are issued.

Refunding CC Payments

Under the Direct and Counter-cyclical Program, eligible producers will receive counter-cyclical payments if the effective price for the eligible commodity is below its target price. Producers may elect to receive up to three such payments per year. The first two payments are advance partial payments. The final payment is made after the end of the marketing year.

Producers should be aware that the first two payments are based on projections, and they will have to refund any payments that exceed the actual counter-cyclical payment for the crop. This happened in 2004, when actual market prices exceeded the projected market prices used in determining the partial counter-cyclical payment rates.

If producers are required to repay a counter-cyclical payment, the default option is to have any DCP payments received the following fiscal year automatically reduced by the amount of the overpayment. Producers may, at their option, repay FSA by writing a check instead.

1099s Will Soon be Arriving

During the last week of January, producers who have received payment from FSA will receive a CCC-1099 in the mail from our Kansas City office. A CCC-1099 is a report to the Internal Revenue Service about FSA payments made to you in 2004. The CCC-1099 is a service to help you report taxable income. It is not intended to replace your responsibility to report income to the IRS.

If you receive a CCC-1099, we recommend that you check the amounts shown with your records to see that the amounts are correct. If you find the amounts are not correct, or if you have a question concerning the form, contact the county of-

fice staff. If you choose to visit the office, bring the CCC-1099 with you so that we may more readily identify the questionable items. If there is an error, we will furnish you with a corrected form CCC-1099.

Payment Limitations, Eligibility

Producers are reminded that no program benefits may be provided until all the necessary payment limitation and payment eligibility determinations have been made. Producers will remain ineligible until all required forms for the specific farming operation are provided to the county office staff.

Any determinations already made for your farming operation as a result of previously filing a CCC-502 will remain in effect for the current and subsequent years, and you will not be required to file a new farm operating plan unless a change occurs that could affect the determination.

Determinations are based on the facts as submitted by the producer. As a program participant, you are responsible for promptly notifying the county office staff of any change that would affect a "person," "actively engaged in farming," cash-rent tenant, adjusted gross income or foreign person determination. Any unrevealed circumstances could require the application of a more restrictive rule.

Spouses may be considered as separate "persons" for payment limitation purposes if they request to be separate by the April 1 status date, and they meet the requirements to be considered separate "persons."

The determinations may be initiated by the county committee or by the producer. If requested by the producer, the request may be filed anytime before the final date for submitting CCC-502s, Farm Operating Plan for Payment Eligibility Review.

Any entity earning program benefits must provide to the county committee the names, addresses and ID numbers of the entity's members. Also, the entity must inform the members of the requirements for designating "permitted entities."

Dates to Remember

Dec. 24, 2004	Christmas Day observed. FSA offices closed.
Dec. 31, 2004	New Year's Day observed. FSA offices closed.
Dec. 31, 2004	Final loan/LDP availability date for honey.
Jan. 17, 2005	Birthday of Martin Luther King, Jr. FSA offices closed.
Jan. 31, 2005	Final loan/LDP availability date for wool and mohair.
Feb. 21, 2005	Washington's Birthday. FSA offices closed.
Mar. 15, 2005	Final application date for Noninsured Crop Disaster Assistance Program.
Mar. 31, 2005	Final loan/LDP availability date for small grains.
Mar. 31, 2005	Final date for Graze Out LDP
May 31, 2005	Final date for HWWIP enrollment.
May 31, 2005	Final loans/LDP availability date for feed grains and pulse crops.

Producers are further reminded that all CCC-501s, Member's Information, and CCC-502s, Farm Operating Plan for Payment Eligibility Review, are subject to spot check through the end-of-year review process. If selected for spot check, producers may be required to provide sufficient evidence of their actual contributions to the farming operation so the county committee can determine whether the farming operation is actually being performed as stated on the applicable CCC-501 or CCC-502 forms.

Producers who are determined as "not actively engaged in farming" will be ineligible for Direct and Counter-cyclical Program payments, marketing loans gains and loan deficiency payments, Conservation Reserve Program annual rental payments and any other applicable payment or benefit.

Payment limitation affect several programs administered by FSA. The payment limitation amounts for DCP are \$40,000 for direct payments and \$65,000 for counter-cyclical payments; market gains and LDPs are \$75,000; CRP is \$50,000; EQIP is \$450,000 total (FY 2002 through FY 2007); and the Non-insured Crop Disaster Assistance Program is \$100,000.

Please contact the county office staff for additional information concerning the filing deadlines for each program.

Producers must also comply with the \$2.5 million adjusted gross income requirement to remain eligible for certain program benefits. The Farm Security and Rural Investment Act of 2002 provides that an individual or entity shall not be eligible

to receive certain payments and benefits as specified in the Act if the average of AGI of the individual or entity exceeds \$2.5 million. Each participant and each member of any entity participating in the program is required to submit information and documentation about AGI to be eligible for payments and benefits.

Producers should contact their local county FSA office staff for additional information on payment eligibility.

Missing DCP Deadlines

DCP contracts (CCC-509s) on which all required signatures are not obtained by the established deadline of June 1 are not considered timely filed. CCC-509s for which missing signatures are obtained after June 1, but before Sept. 30, will be considered late-filed. These late-filed CCC-509s will be eligible for payment but will be assessed a late-filed fee of \$100 per farm..

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at 202-720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, D.C., 20250-9410, or call 202-720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

March 15, NAP Closing Date

The Non-Insured Crop Disaster Assistance Program, or NAP, provides financial help to producers of noninsurable crops when a low yield, loss of inventory or prevented planting occurs because of natural disasters. NAP also provides coverage for crops when the catastrophic level of multi-peril insurance is not offered.

Producers must apply for coverage using Form CCC-471, "Application for Coverage," and pay the service fee at the county office. The application and service fee must be filed by March 15, the application closing date for most spring-seeded crops. The service fee is \$100 per crop per county or \$300 per producer per county. The fee cannot exceed a total of \$900 per producer with farming interest in multiple counties. Limited resource producers may request a waiver of service fees.

To qualify, a producer must be a landowner, tenant or sharecropper who shares in the risk of producing an eligible crop. In addition, the producer's annual gross revenue cannot exceed \$2 million. A payment limitation of \$100,000 per crop year is in effect.

If you received disaster payments for crop year 2001 or 2002 NAP crops, you may be required to purchase NAP coverage for the next two crop years. Check with your county FSA office staff.

Methods of Dividing Base

A farm, as defined by the Farm Service Agency, is made up of tracts of land that have the same owner and operator. When a change occurs in the ownership or operation of a farm, a farm reconstitution may be necessary and the county FSA office staff must be promptly notified.

When farms are reconstituted and divided into two or more resulting farms, there are three methods for dividing a farm's DCP base acres:

- Estate;
- Designation by Landowner; and
- Default (applicable to base acres for farm divisions only).

The estate method is the highest priority method. In this method, the farm's base acreage is divided according to the direction in a will. This method also may be used if all heirs sign a written agreement designating the division of base on the parent farm.

The designation by landowner method is the division of base acreage in the manner agreed to by the parent farm owner and the purchaser or transferee. This method is used when part or all of a farm or a tract is sold.

To use this method, the land that is sold must have been owned for at least three years, and the owner of the parent farm and the purchaser must file a signed memorandum of understanding or FSA-155, designating bases. The MOU must be filed before the farm is reconstituted or there is any subsequent transfer of ownership. Owners who are considering selling any land are advised of the option to obtain a written agreement on the division of base at the point of sale of the land.

The default method of dividing base acreage is used when the higher priority methods of estate and designation by landowner are not applicable. Using this method of division, each resulting farm receives the base that is allocated to the tracts of land associated with each farm.

To be effective for the current fiscal year, a farm combination or division must be requested by Aug. 1 for farms subject to the Direct and Counter-Cyclical Program.

A request for a farm reconstitution after current fiscal year DCP payments have been made will be processed in the following fiscal year. However, the producer has the option of refunding the DCP payments to allow the reconstitution to be processed in the current FY.

For more information about farm reconstitutions, contact the county office staff.

Status Date

The status of an individual or entity on April 1 of the applicable program year is the basis for determining the number of "persons" for payment limitation purposes for that year. Actions taken by an indi-

vidual or entity after that date to increase the number of "persons" will not be recognized for the current program. For example, if an individual holds more than 50 percent interest in a corporation, as of the status date, the individual and entity will be considered one "person" for the applicable year.

Outreach to Minority Producers

The Farm Service Agency can make and guarantee loans to socially disadvantaged applicants to buy and operate family-size farms and ranches. Funds specifically for these loans are reserved each year. Non-reserved funds can also be utilized.

A socially disadvantaged person is one of a group whose members have been subjected to racial, ethnic or gender prejudice because of his or her identity as members of the group without regard to his or her individual qualities. For purposes of this program, socially disadvantaged groups are women, African Americans, American Indians, Alaskan Natives, Hispanics, and Asian Americans and Pacific Islanders.

Direct loans may be made by FSA to applicants for farm operating and farm ownership loans. Guaranteed farm loans also may be made for ownership or operating purposes, and may be made by any lending institution subject to Federal or state supervision (banks, savings and loans and units of the Farm Credit System) and guaranteed by FSA. Some state governments also operate farm loan programs that are eligible for FSA guarantees. FSA typically guarantees 90 or 95 percent of a loan against any loss that might be incurred if the loan fails.

Persons who are primarily and directly engaged in farming and ranching on family-size operations may apply. A family-size farm is one that a family can operate and manage itself.

Socially disadvantaged applicants do not receive automatic approval. In addition to being members of a socially disadvantaged group, individual applicants under this program must meet all requirements for FSA's regular farm loan program assistance, including:

- Have a satisfactory history of

meeting credit obligations.

- Have sufficient education; training, or at least 1-year's experience in managing or operating a farm or ranch within the last 5 years for a direct operating loan, or, for a direct farm ownership loan, have participated in the business operation of a farm or ranch for 3 years;
- Be a citizen of the United States (or a legal resident alien), including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa and certain former Pacific Island Trust Territories;
- Be unable to obtain credit elsewhere at reasonable rates and terms to meet actual needs; and
- Possess legal capacity to incur loan obligations.

Contact the staff of your local Farm Service Agency county office or USDA Service Center for more information.

CRP Continuous Sign Up

The Farm Service Agency recently introduced two conservation practices that are eligible for continuous sign up under the Conservation Reserve Program: CP 33, the Northern Bobwhite Quail Habitat Initiative, and CP23A, the Wetlands Restoration Initiative.

Northern Bobwhite Quail Initiative

aims to create early successional grass buffers along agricultural field borders. The initiative is limited to 250,000 acres, so enrollment is targeted to specific geographic areas in 35 states that have the greatest potential to restore bobwhite quail habitat. Nebraska has been allocated 6,000 acres.

To be eligible, cropland must be suitably located and adaptable to the establishment of bobwhite quail. Other criteria also apply, so ask the county office staff for details.

FSA estimates the program will provide \$125 million in payments to participants through 2007. Payments include signing incentives of up to \$100 per acre, Practice Incentive Payments of up to 40 percent of the eligible establishment cost, cost-share

assistance of up to 50 percent of eligible reimbursable costs, and annual rental payments and maintenance costs.

Wetlands Restoration Initiative aims to restore 250,000 acres of wetlands and playa lakes that are located outside of the 100-year floodplain. Landowners in 48 contiguous states and Hawaii are eligible. Acreage for the initiative has been allocated on a state-by-state basis, with 14,000 acres allocated to Nebraska.

FSA estimates the program will provide \$200 million in payments to participants through 2007. FSA will offer participants an incentive payment equal to 25 percent of the cost of restoring the hydrology of the site, an annual rental payment and cost-share assistance of up to 50 percent of eligible practice installation costs.

Enrollment is limited to wetlands, including playa lakes, that are beyond the 100-year floodplain. The wetlands must not be currently eligible for enrollment in either CRP continuous sign up practice CP23, Wetland Restoration, or the Farmable Wetlands Program.

Both practices are being offered as a CRP continuous signup practices, meaning contact offers will not have to go through the competitive bid process producer's use during a CRP general signup. Continuous sign up under each initiative will run until 250,000 acres have been enrolled under each initiative or Dec. 31, 2007, which comes first.

Conservation Compliance

All producers must have an approved conservation plan in place before planting an agricultural commodity on highly erodible land, or they must be applying a conservation system on the highly erodible land that is planted to an agricultural commodity. Producers with approved conservation plans must be actively applying the conservation systems contained in the plan.

Producers farming highly erodible land without an approved plan or conservation system to control erosion may be considered ineligible for USDA program benefits. These producers must work with Natural Resources Conservation Service to develop an approved conservation plan

and fully apply the required conservation system to the highly erodible land before they can be determined eligible for USDA program benefits.

Sodbuster Rules

Highly erodible land may be brought into crop production only under provisions set forth and implemented in a Conservation Plan of Operation developed for the specified acreage.

Before producers clear, plow or otherwise prepare areas not presently under crop production for planting, they are required to file an AD-1026 indicating the area to be brought into production.

If the Natural Resources Conservation Service indicates on a form CPA-026 that the area will be highly erodible land, the producer will be required to develop and implement a conservation plan on the affected acreage, before bringing land into production.

Producers must file an AD-1026 certifying compliance with above provisions prior to applying for program benefits. Program benefits include, but are not limited to price support, Direct and Counter-cyclical Program, Conservation Reserve Program, Environmental Quality Incentive Program, USDA farm operating and real estate Loans and catastrophic and buy-up Multi-Peril Crop Insurance.

Producers must complete a new AD-1026 each time a change in the farming operation occurs, either in the land farmed or operating arrangement or structure.

Commodity Certificates

When the loan rate for a given commodity exceeds its posted county price, producers with outstanding nonrecourse marketing assistance loans have the option of purchasing commodity certificates and exchanging them for the commodity. Another, and perhaps lesser known, way producers may elect to use commodity certificates is to immediately exchange them for the collateral in a "turn-around loan."

The purpose behind commodity certificates is to encourage producers to repay

their commodity loans rather than forfeit the collateral to the Commodity Credit Corporation at maturity. Market loan gains realized from certificate exchanges (also called certificate exchange gains) are not subject to the standard \$75,000 payment limitation.

In the first instance, a producer must have an outstanding commodity loan that has not matured, and must immediately exchange the certificate for the outstanding loan collateral. Certificates may not be used as payment for other CCC obligations.

In a turn-around loan, a producer obtains a marketing assistance loan and repays it on the same day with a commodity certificate. In this case, the eligible commodity may be placed in an unlicensed facility.

The exchange rate will be the posted county price (or adjusted world price for upland cotton or rice) on the date the commodity certificate is purchased.

A note of caution for producers. Certificate exchange gains are not reported by FSA to the Internal Revenue Service on CCC-1099. However, these gains are considered income and must be reported by the producer as required by the IRS.

FSA Farm Loans Available

Any farmer or rancher who may need an FSA guaranteed loan or a direct loan must apply as early as possible because some FSA loan programs may not have adequate funds for the entire year. To inquire for a loan, contact the local FSA county office where you plan to farm or ranch.

Nebraska lenders can submit guaranteed loan requests to help existing or beginning farmer or rancher customers. The FSA guaranteed loan program allows lenders to extend terms longer than normal, which may allow for a positive cash flow. Guaranteed farm ownership loans are available to purchase or refinance debts for terms of 20 to 40 years, and operating loans are available to purchase or refinance chattels for terms up to 7 years. Five-year line-of-credit guaranteed loans are available for annual operating expenses. On term operating loans and line-of-credit loans, interest assistance is available to reduce the

interest by 4 percent for customers who are unable to repay at the regular interest rate. Also, balloon payments can be scheduled on operating loans if a longer amortization is needed and there is real security or stock cows available for security.

Nebraska FSA encourages the lenders, the farmers and the ranchers to analyze their income and expenses for the past year and review their cash flows to determine their needs for the 2005 operating year.

Beginning Farmer, Rancher Loans

Beginning farmers or ranchers can get a "regular" farm ownership loan by using funds set aside especially for them by the Farm Service Agency. These loans finance up to 100 percent of the land's purchase price (up to the \$200,000 loan limit), and the term of the loan can be up to 40 years.

The interest rate can be either the regular rate of 5.375 percent (as of Dec. 1, 2004) or the limited resource rate of 5.00 percent (as of Dec. 1, 2004).

The regular farm ownership loan funds may also be used in joint financing where FSA lends up to 50 percent of the amount financed and another lender provides 50 percent or more. FSA may charge an interest rate of not less than 4 percent with terms up to 40 years.

Qualifications. Beginning farmer applicants must have been farming for at least three years and not more than ten years. Applicants cannot own real estate that exceeds 30 percent of the average farm size for the county.

To apply for a loan, you should contact the local FSA county office where you plan to farm or ranch.

Beginning Farmer Down Payment Ownership Program (10-40-50)

Purpose. Obtain help financing the purchase of a farm for up to \$250,000 of the purchase price or the appraised value whichever is less. The applicant must put

down 10 percent. FSA finances up to 40 percent of the purchase price. The remaining 50 percent of the purchase price can be financed on contract with the seller or through a conventional lender. The lender can obtain a guarantee from FSA if the customer is eligible.

Rates. The FSA loan for 40 percent will be locked in for the full 15 years. Currently the rate is 4 percent. The loan for the balance of 50 percent should be the rate the contract holder or lender would charge an average customer.

Qualifications. Beginning farmer applicants must have been farming for at least three years and not more than ten. Applicants cannot own real estate that exceeds 30 percent of the average farm size for the county.

Direct Operating Loans

Purpose. Obtain up to \$200,000 to finance your farm business. This includes annual operating and family living expenses, machinery or breeding livestock purchases, refinance debts other than FSA (incurred for authorized operating purposes) and real estate improvements or repairs (limited to \$15,000 per year).

Rates. The interest rate is the rate in effect at the time of loan approval or loan closing whichever is lower. Rates are posted on a monthly basis. Refer to FSA staff for information.

Terms. The term of the loan cannot exceed seven years from the date the loan is closed.

Guaranteed Loans

Purpose. Obtain up to \$813,000 in Guaranteed Farm Ownership and/or Farm Operating loans. Funds can be used to purchase or enlarge a farm, refinance debt or for most operating uses.

Under this program your local lender makes the loan and FSA provides a guarantee of up to 95 percent (depends on the circumstances) of the loan. This allows your local lender to continue to help you even if you are experiencing a decline in your financial condition.

Rates. The interest rate is negotiated with the lender but should not exceed the rate charged to their average customers. You could qualify for Interest Assistance (4 percent rate reduction) if your cash flow shows the need. If you qualify for the 4 percent reduction, it will be reviewed yearly until your cash flow shows sufficient improvement to pay the full rate.

Terms. Loans for real estate can be amortized for up to 40 years and for chattel up to seven years.

Attention Socially Disadvantaged Farmers

FSA has a number of loan programs available to assist applicants to begin or continue in agriculture production. Loans are available for operating type loans and/or to purchase or improve farms or ranches.

While all qualified producers are eligible to apply for these loan programs, the FSA has provided priority funding for Socially Disadvantaged Applicants. A socially disadvantaged applicant is one of a group

whose members have been subjected to racial, ethnic or gender prejudice because of his or her identity as members of the group without regard to his or her individual qualities. For purposes of this program, socially disadvantaged groups are women, African Americans, American Indians, Alaskan Natives, Hispanics, Asian Americans and Pacific Islanders.

If producers or their spouses believe they would qualify as socially disadvantaged, they should contact their local FSA staff for details. FSA loans are only available to applicants who meet all the eligibility requirements and are unable to obtain the needed credit elsewhere.

Emergency Loans

Purpose. FSA may make emergency loans to eligible family farmers to enable them to return to their normal operations if they sustained qualifying losses resulting from natural disasters. To be eligible for these loans, you have to have farmed in a county designated as an agricultural disaster area.

Rates. The interest rate for the emergency loan is 3.75 percent.

Terms. Most emergency, or EM, loans may be for up to seven years; however, if the loan is secured only on crops, it must be repaid when the next crop year's income is received. Loans to replace fixtures to the real estate may be scheduled for repayment up to 40 years.

Deadline. The final date for making an application for an EM loan is eight months after the disaster is declared.

Existing FSA Borrower

It appears FSA may run short of loan funds again this year. Therefore, we encourage each of you to complete your 2004 farm records along with your 2005 farm plans and make an appointment with your local loan officer as soon as possible. If you think you may have trouble making payments, there may be programs to assist in rescheduling or reamortizing your payment schedules.

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